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February 25, 2004

EX PARTE – VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: Notice of *Ex Parte* Presentation: In the Matter of 2000 Biennial Regulatory Review -- Requirements Governing the NECA Board of Directors under Section 69.602 of the Commission's Rules and Requirements for the Computation of Average Schedule Company Payments under Section 69.606 of the Commission's Rules, CC Dkt. No. 01-174.

Dear Ms. Dortch:

Yesterday afternoon, Rick Askoff and Steve Quinnan of the National Exchange Carrier Association ("NECA") and Judith Harris of Reed Smith, LLP met with Eric Einhorn, Chief; Sharon Webber, Deputy Chief; and (by phone) Gary Seigel, Public Utility Specialist, all of the Telecommunications Access Policy Division, along with Tamara Preiss, Division Chief; Judith Nitsche, Assistant Division Chief; and Douglas Slotten, Attorney Advisor, of the Pricing Policy Division, and Richard Learner, Associate Bureau Chief/Chief of Staff, Wireline Competition Bureau regarding the above-referenced proceeding.

The purpose of the meeting was to discuss simplification of the average schedule process, as summarized in the attached document. A copy of the attached was provided at the meeting.

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Respectfully submitted,

By: /s/

Its Attorneys

cc: Eric Einhorn Tamara Preiss
Sharon Webber Judith Nitsche
Gary Seigel Douglas Slotten
Richard Lerner

AVERAGE SCHEDULE SIMPLIFICATION

Current Filing & Review Methods

Pool Settlement Formulas

- Filed on December 31 of each year for effectiveness during tariff test period.
- Comprehensive documentation (over 700 pages!) includes summary, proposed formulas, eight chapters of D&J including detailed explanation of every calculation step (mostly repeated from year to year), glossary, 16 appendices with all underlying data and detailed formula impacts, accompanying CD with all data files.
- Six-month Commission review process followed by order.
- Revenue requirements also included in NECA June tariff filing.
- Tariff filing also subject to Commission review and order.

Universal Service Fund Formulas

- Filed on October 1 of each year for effectiveness during following calendar year.
- Comprehensive documentation and justification includes summary, proposed formulas, three chapters explaining every calculation step (mostly repeated from year to year), 5 appendices, all underlying data, detailed proposed support payments, accompanying diskette with all data files.
- Loop Cost amounts are also included in NECA's October 1 USF Submission of Study Results
- LSS amounts are also filed about November 1 by USAC, based on demand data from NECA
- FCC issues approval order on NECA formulas.
- USAC factors incorporating payments also subject to Commission review.

Proposed Filing & Review Methods

Pool Settlement Formulas

- Eliminate redundant approval requirement in Part 69.606.
- Submit proposed formulas on March 31 as part of tariff review process
- Submit D&J that focuses primarily on changes in data and methods compared to prior year.
- Include appendix containing detailed explanation of standard development methods.
- Provide additional data and explanations as requested by Commission staff.
- Full panoply of tariff review procedures remain available to Commission (e.g., suspension, investigation, complaint, etc.)

Universal Service Formulas

- Base high cost loop formula on "cost per loop" approach.
- Combine HCL formula filing with NECA's October 1 Data Submission.
- Additional D&J to focus on changes in data compared to prior year.
- Include local switching support fractions in March pool settlement formula filing.
- NECA would continue to provide LSS demand data and formula to USAC per current process.